

Message Text

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TO SECSTATE WASHDC 7209

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E.O. 11652: NA

TAGS: BEXP, RP

SUBJECT:REPORTED CHANGE IN IMPORT DUTY - ACETATE YARN

REF: STATE 197419 (NOTAL)

1. FACTS OF IMPORT DUTY CHANGE REPORTED BY EASTMAN CHEMICAL PRODUCTS REPRESENTATIVE ARE ESSENTIALLY CORRECT.

2. CONTINUOUS FILAMENT TOW FOR THE MANUFACTURE OF MAN-MADE FIBRES (DISCONTINUOUS) IS COVERED BY TWO SUBHEADINGS. SUBHEADING A, WHICH COVERS ALL BUT POLYESTER FILAMENT TOW, IS SUBJECT TO 10 PERCENT DUTY, EXCEPT THAT THE FOLLOWING PARAGRAPH HAS BEEN ADDED BY PRESIDENTIAL DECREE 750: "NOT INCLUDED IN SUBHEADING A ABOVE ARE ACETATE TOW AND SUCH OTHER SIMILAR CONTINUOUS FILAMENT TOW, USED AS MAJOR RAW MATERIAL IN THE MANUFACTURE OF CIGARETTE FILTER RODS, IMPORTED BY LOCAL PRODUCERS THEREOF WITH A TOTAL VOLUME OF SALES OF LESS THAN 3 BILLION FILTER RODS FOR THE CALENDAR YEAR 1973 OR LESS THAN 250 MILLION FILTER RODS MONTHLY SALES AVERAGE DURING THE SAME PERIOD SUBJECT TO . . . AD VAL. 100 PC."

3. PREAMBLE TO DECREE SUGGESTS THAT COMPANIES MANUFACTURING FILTERS FOR THEIR OWN CIGARETTES HAVE ENJOYED TAX ADVANTAGES OVER COMPANIES PRODUCING FILTERS FOR SALE. IT ESTABLISHES RATIONALE FOR ELIMINATION OF THIS TAX PREFERENCE BUT NO RATIONALE FOR DISCRIMINATION AGAINST SMALLEJN PRODUCERS. THERE ARE FOUR PRODUCERS OF FILTERS, AND ONLY UNCLASSIFIED

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PHILIPPINE TOBACCO FILTERS CORPORATION, COMPANY WHICH

REFTEL STATES IS PRIMARILY IMPORTING ITS TOW FROM JAPAN,
IS LARGE ENOUGH TO QUALIFY FOR 10 PERCENT DUTY.

4. PECULIARITY OF PHILIPPINE ADVANCE SALES TAX MAGNIFIES
DISCRIMINATION AGAINST SMALL PRODUCERS. ALL IMPORTED
ARTICLES ARE SUBJECT TO AN ADVANCE SALES TAX, ALTHOUGH
UNTIL IT WAS ELIMINATED BY PRESIDENTIAL DECREE 750, A
PRODUCT TO BE USED IN MANUFACTURE BY THE IMPORTING COMPANY
OF FINISHED PRODUCT SUBJECT TO TAX WAS EXEMPT FROM SALES TAX.
SALES TAX, BASED ON CIF VALUE PLUS CUSTOMS DUTY PLUS, FOR MOST
ARTICLES INCLUDING TOW, 25 PERCENT OF PRECEDING TOTAL.
THUS, FOR SMALL USERS OF TOW, BASE FOR TAXATION PURPOSES
IS DOUBLE THAT FOR LARGER USERS.

5. THIS WOULD APPEAR TO BE DELIBERATE EFFORT TO BENEFIT
ONE COMPANY AT EXPENSE OF ITS THREE COMPETITORS. IN THE
PROCESS IT DISCRIMINATES AGAINST U.S. EXPORTS. EMBASSY
WILL ATTEMPT TO DETERMINE HOW PROVISIONS GOT INTO PRESIDENTIAL
DECREE AND TO RAISE MATTER WITH APPROPRIATE OFFICIALS.

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